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PENTAGON STUDY FAULTS SECURITY OF CONTRACTORS

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WASHINGTON, June 29 — An internal Defense Department report concludes that security programs at most of the nation's 14,000 military contractors are so weak that they do little to deter espionage.

Spying is so easy for employees of most companies, the report says, that "a supermarket employee may encounter far more difficulty stealing a loaf of bread."

The 250-page study says the Defense Department should make wholesale changes in its security programs. It does not contain specific recommendations, but it makes the point that the present regulations, even when fully enforced, do not effectively inhibit spying and need to be reconceived.

Rules Are Called 'Confusing'

The present regulations, it says, are "confusing, conflicting, inflexible" and full of "superfluous detail."

The Defense Department ordered the yearlong study by a group of senior departmental officials after the arrest of James D. Harper Jr., who was sentenced to life in prison last year for taking classified documents from a small California military contractor and selling copies to Polish intelligence officers.

Since the study's completion early this year, one of the four people arrested in the Walker family spy case, Arthur Walker, has been charged with taking classified documents from a small military contractor in Virginia and selling them to his brother, John, who is accused of selling them, in turn, to Soviet agents. And over the last few years, several other employees of military contractors have been convicted of espionage.

The report, known in the Pentagon as the Harper report, has not been made public, but the Defense Department gave copies to a few members of Congress. The co-chairmen of the group

that wrote the report are Daniel R. Foley, deputy assistant inspector general for criminal investigations oversight, and John R. Hancock, chief of the Programs Management Division of the Defense Investigative Service.

On Friday, L. Britt Snider, the Pentagon's director of counterintelligence and security policy, said, "I don't think we found anything" in the study "that was really off the mark, although some of us disagreed on how to address the problems."

More than 16 million classified documents detailing many of the nation's most sensitive military secrets are scattered among companies nationwide that have military contracts. Almost 1.5 million civilian employees have Government clearance to use the materials, and "recent espionage cases," the study says, show that this material "is of paramount interest to hostile intelligence services."

The companies must follow Defense Department security regulations to safeguard the secret and top-secret documents in their possession, and the Defense Intelligence Service is responsible for insuring that they do. But to police the 14,000 concerns, the study notes, the service has only about 225 agents nationwide.

The study also reached these conclusions:

¶Most contractors maintain no controls over the use of classified materials at night and over weekends, allowing employees engaged in espionage to bring friends, perhaps even Soviet agents, into the offices, where they could spend "hours reproducing or photographing classified materials, put them in a briefcase and then walk out the door." Stealing classified materials "is only slightly less difficult during working hours."

¶Federal regulations for private firms emphasize the secure storage of classified documents, alarm systems and other measures "to protect against surreptitious entry only," even though

resulted from break-ins. The Federal rules do not address the real problem, to "prevent cleared personnel from having unauthorized access or prevent them from removing the contents from the premises."

¶Federal regulations require no training for security guards at private companies. A few guards volunteer for training but most do not, and at many plants, particularly small ones, security is a part-time responsibility for secretaries, file clerks or others with no background in the field.

¶About 95 percent of the classified documents are concentrated in 200 of the 14,000 contractors, and more than half of the companies cleared to use classified materials have none on site. Nonetheless, under Federal regulations the 225 Defense Intelligence Service investigators must inspect all 14,000 contractors on the same schedule: once every six or nine months, depending on whether the clearance is for secret or top-secret material.

¶Most contractors ignore the obvious indicators of possible espionage activities: unexplained affluence, inordinate interest in classified materials and excessive foreign travel. Federal regulations require companies to report such signs to Federal investigators, but most do not because they are afraid of

prompting lawsuits or of damaging employee morale.

¶Many contractors request and get secret or top-secret security clearance for employees hired to "perform toilet cleaning, painting and similar maintenance or service-oriented activities," which means that "thousands of unwarranted security clearances exist, and the problem is compounded daily."

Clearances Rarely Revoked

Fewer than 1 percent of security clearance applications are denied, and fewer still are revoked later.

In a survey of 170 Defense Investigative Service investigators, attached to the report, 80 percent of them said: "One of the more serious problems" was that secret or top-secret clearances were not denied or revoked even when "any reasonable person could be expected to conclude that issuance or continuance would not be consistent with the national interest."

As one result of the Walker case, Defense Secretary Caspar W. Weinberger ordered this month that the number of people with security clearances in the military and in private companies be cut 10 percent by Oct. 1.

Mr. Snider said his office was considering other new measures, including random checks of briefcases and purses of a few people as they leave buildings that house classified materi-

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als. No checks are now required, and almost none are performed.

Private concerns are also going to be required to regulate the use of photocopying machines, he said, although the Government is not specifying how that should be done. Now there are no such requirements, posing what the report calls "a serious security hazard."

Even in the few firms with photocopying restrictions, "if the reproduction of large quantities of classified documents during working hours is too risky," the report says, "all that needs to be done is to carry the documents home, reproduce them elsewhere and return them later in the evening."

Companies Called Responsive

Mr. Harper, the convicted spy, bought his own photocopier and reproduced borrowed documents at his home.

Policing security in private companies is especially difficult for Federal inspectors because the Government does not have direct control over the employees, among other reasons. At the same time, Mr. Snider said, since many of the contractors rely on Federal contracts for survival, they are responsive to complaints and suggestions.

The Harper report says "many of the shortcomings can be overcome, but

only at a price," noting that "the imposition of stringent measures" could inhibit research.

Even the 10 percent reduction in security clearances and other new proposals probably will not significantly curtail the espionage problem, Mr. Snider said, because "this is just such a mammoth thing to try to oversee."

Reagan Cites 'Rash' of Spies

WASHINGTON, June 29 — President Reagan said today that the United States needed to "counter the rash of spy activities that threaten our security and interests at home and abroad and to improve our own intelligence gathering capabilities."

But he cautioned that "there is no quick fix to this problem."

In his weekly radio address, the President said that the number of Soviet-bloc intelligence officers in this country needed to be brought down to "a more manageable number."

He also said there must be better control over foreign intelligence agents working at the United Nations, who he said have used that organization as a "spy's nest." Another priority, he said, would be to increase counterintelligence operations, which he said were reduced in staff and other resources in the 1970's.